GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:4378
ANSWERED ON:25.04.2005
INSTITUTIONAL LOANS IN AGRICULTURAL SECTOR
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Will the Minister of AGRICULTURE be pleased to state:

(a) the provisional target fixed for institutional loans in the Agricultural sector for the year 2005;

(b) the schemes considered by the Government to achieve the above targets;

(c) the time by which the loans are likely to be provided to farmers by implementing the above schemes;

(d) whether the Government is in favour of comprehensive reforms in the scheme for institutional loans to farmers; and

(e) if so, the manner in which and by when the above reforms are likely to be implemented in the interest of farmers?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI KANTILAL BHURIA):

(a) The provisional target for institutional loans in the agricultural sector for the year 2004-05 was fixed at Rs. 1,04,500 crores and the total disbursement by the end of February, 2005 works out to Rs. 1,04,718.45 crores. Hon`ble Finance Minister in his Budget Speech on 28th February, 2005 announced that the disbursement of agricultural credit in the year 2004-05 will be Rs. 1,08,500 crores and the flow of agricultural credit in the year 2005-06 will increase by 30% over the likely achievements for the year 2004-05. Accordingly, the provisional target for institutional loans in the agricultural sector for the year 2005-06 is Rs. 1,41,000 crore.

(b) Details are given in the enclosed Statement.

(c) Rs. 1,04,500 crores was fixed as the target of agricultural credit flow for the year 2004-05 and the total disbursement by the end of February, 2005 works out to Rs. 1,04,718.45 crores forming 100.21% of the target. The banks have been advised to achieve a growth rate of 30 per cent in the flow of agricultural credit in the year 2005-06 over the achievement of previous year.

(d) and (e) The comprehensive policy package announced by the Government on 18th June,2004 containing measures for improving agricultural credit flow and providing credit related relief to farmers are under implementation. Government is taking corrective measures on a continuous basis to provide adequate institutional credit to the farmers at reasonable rate of interest and in hassle free manner.

Statement

A. Pursuant to the announcement made by the Finance Minister on 18th June, 2004 containing measures for improving agricultural credit flow and providing credit related relief to farmers, the banks have been advised as under:

1. To achieve a 30 per cent increase over the flow of credit in the previous year.

2. To enhance coverage of institutional credit, including through KCCs, in line with the higher goal for agricultural credit in 2004-05.

3. In order to provide credit to tenant farmers and oral lessees,facilitate formation and financing of self-help groups of tenant farmers and oral lessees during the current year.

4. Reviewing scales of finance to meet the realistic credit needs of farmers,especially capital intensive agricultural operations.

5. Commercial banks will make an effort to bring into their fold, on average, at least 100 new farmers at each rural and semi-rural branch during the current year. The goal is to enlarge the universe of new farmers borrowing from banks by about 50 lakh.

6. Each rural and semi-urban branch of commercial banks will take up at least two to three new investment projects in the area of plantation and horticulture, fisheries, organic farming,agro-processing, live stock, micro-irrigation, sprinkler irrigation, watershed management, village ponds development and other agricultural activities.

7. In every district, allcommercial banks put together will finance 10 agro-clinics during the current year.

8. Debt restructuring under the following heads in accordance with the new guidelines issued by NABARD:

Farmers in distressâ€"Rescheduled/restructured debts of farmers as on 31st March, 2004 in districts declared as calamity-affected by the State Government. Rescheduled loan shall be repayable over a period of five years, at current interest rates, including an initial moratorium of two years.

Farmers in arrearsâ€"Loans in default of farmers who have become ineligible for fresh credit as their earlier debts have been categorized as sub standard or doubtful will be rescheduled as per the guidelines issued by NABARD so that such farmers become eligible for fresh credit.

OTS for small and marginal farmers-Guidelines for increasing the flexibility of cooperatives to grant a one-time settlement (OTS) for small and marginal farmers who have been declared as defaulters and have become ineligible for fresh credit from lending institutions have been issued by NABARD. Cooperative banks have been advised to review cases where credit has been denied on the sole ground that a loan account was settled through compromise or write offs.

In some parts of the country, farmers face acute distress because of the heavy burden of debt from non-institutional lenders (e.g., moneylenders). Banks have been permitted to advance loans to such farmers to provide them relief from indebtedness against appropriate collateral or group security.

Recommendations of the Task Force constituted by the Government under the Chairmanship of Prof. A Vaidyanathan for revival of rural co-operative banking institutions have been accepted in principle for implementation.